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with Shopping Center Age

The newsmagazine for retail operations

November 1983

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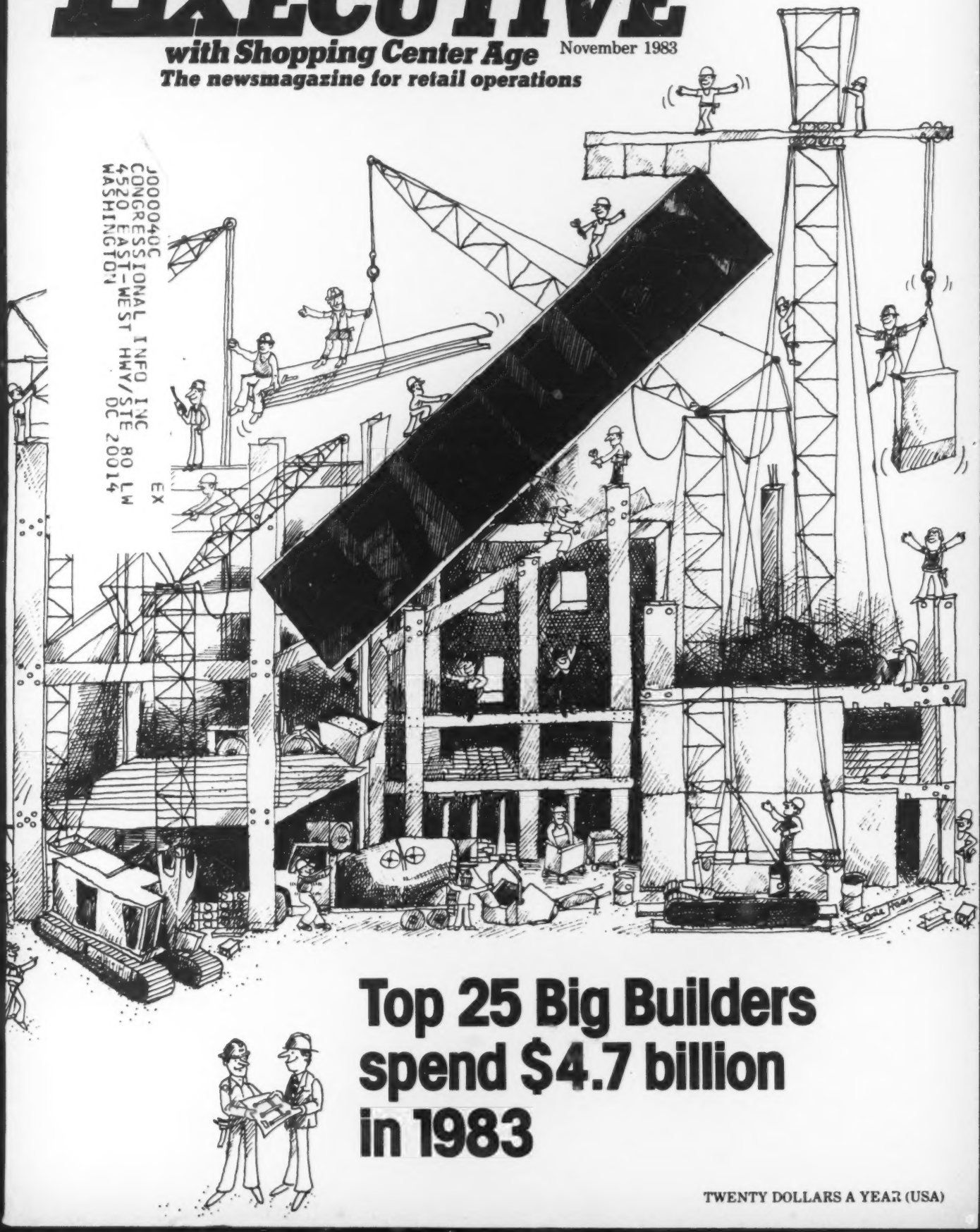

Top 25 Big Builders spend $4.7 billion in 1983

TWENTY DOLLARS A YEAR (USA)

Chain Store Age EXECUTIVE Volume 59, No. 11/November 1983

CONTENTS

Well trained personnel can whip up sales/15
Upstaged by merchandising, selling plays a lowly role in most retail operations and is worth little more than a minimal investment.

T.G. & Y.: Not out of the woods yet/17
Household International's Oklahoma City-based chain embarks on a turnaround program that raises some significant questions.

Big Builders draft 1983 blueprint at $4.7 billion/20
Capital expenditures for the top 25 are up 8% this year, but not all of the money represents additional space.

Safeway/23
Dayton Hudson/24
Sears/24
Kroger/26
Allied/31
Federated/32
Wal-Mart/34
K mart/36
J. C. Penney/36
U.S. Shoe/38
Toys "R" Us/38
Revco/40
Lucky Stores/44
May/44
ADG/47
Zayre/47
Stop & Shop/50
Eckerd/52
Albertsons/54
Supermarkets General/57

Electronics make a splash in the typing pool/74
The third segment of a five-part series on automated office equipment examines retailers' use of electronic typewriters.

SHOPPING CENTER AGE

Downtown Wausau insures its future/63
JVJ looks at its first downtown redevelopment project as an opportunity to take advantage of a rare set of circumstances.

5 From the Editor's Desk
7 Washington Commentary
7 F.Y.I.
8 Accounting Views
13 Executive Eye on Law & Government
67 Shopping Center Real Estate
69 Along the Mall
69 New Stores & Shopping Centers
78 Classified Advertising
82 New Equipment & Services
83 Advertising Index
84 People in the News
84 SPECS Forum

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Big Builders draft 1983 blueprint at $4.7 billion

Even though this year's figures are up 8%, not all of the money represents additional space

It's a safe bet to say that although the term "aggressive" isn't entirely accurate, when it comes to 1983 capital expenditures the nation's leading retailers are less concerned with hoarding their dollars than they were in recent years.

By year-end, the top 25 Big Builders will have spent a total combined capital expenditures budget of $4.7 billion. This is up 8% from the $4.34 billion spent by the 1982 group. It is also more than an 11% increase from the $4.25 billion total spent last year by the companies that qualified for the 1983 list.

However, a quick look at other measures of capital expenditures, namely gross and net square footage expansion, shows that there isn't necessarily a correlation between monies spent and space added. Sears, Roebuck is No. 4 on the capital expenditures list, spending $400 million this year, but adding only 700,000 sq. ft. of space. On the other hand, Home Depot is adding approximately 720,000 sq. ft., but spending only an estimated $3 million to do it. Home Depot's secret is that it's been growing by taking over space abandoned by other retailers. These have either gone out of business altogether or simply abandoned the particular market area.

Home Depot hasn't been alone in utilizing this strategy, particularly in the wake of the closing of more than 300 Woolco units at the end of 1982. The sudden availability of all this space combined with what was already on the market caused numerous discount operations, as well as catalog showroom companies (retailers which have operations particularly well suited to the available locations) to immediately up their original expansion projections for 1983.

Then there were such moves as Bradlees' wholesale takeover of 11 sites where Memco stores either already operated or were in the planning stage. Ames Department Stores' proposed acquisition of King's Department Store units, along with its own aggressive expansion program, makes Ames another addition to the Big Builders gross and net square footage rosters.

This is turning out to be a year of major growth for many of the discount store operations—once again proving out the hypothesis of the survival of the fittest. Based on this theory, it's not surprising that Wal-Mart, with a planned 1983 addition to gross square footage of 6,376,000 sq. ft., takes over the No. 1 slot (replacing Safeway) when it comes to space additions.

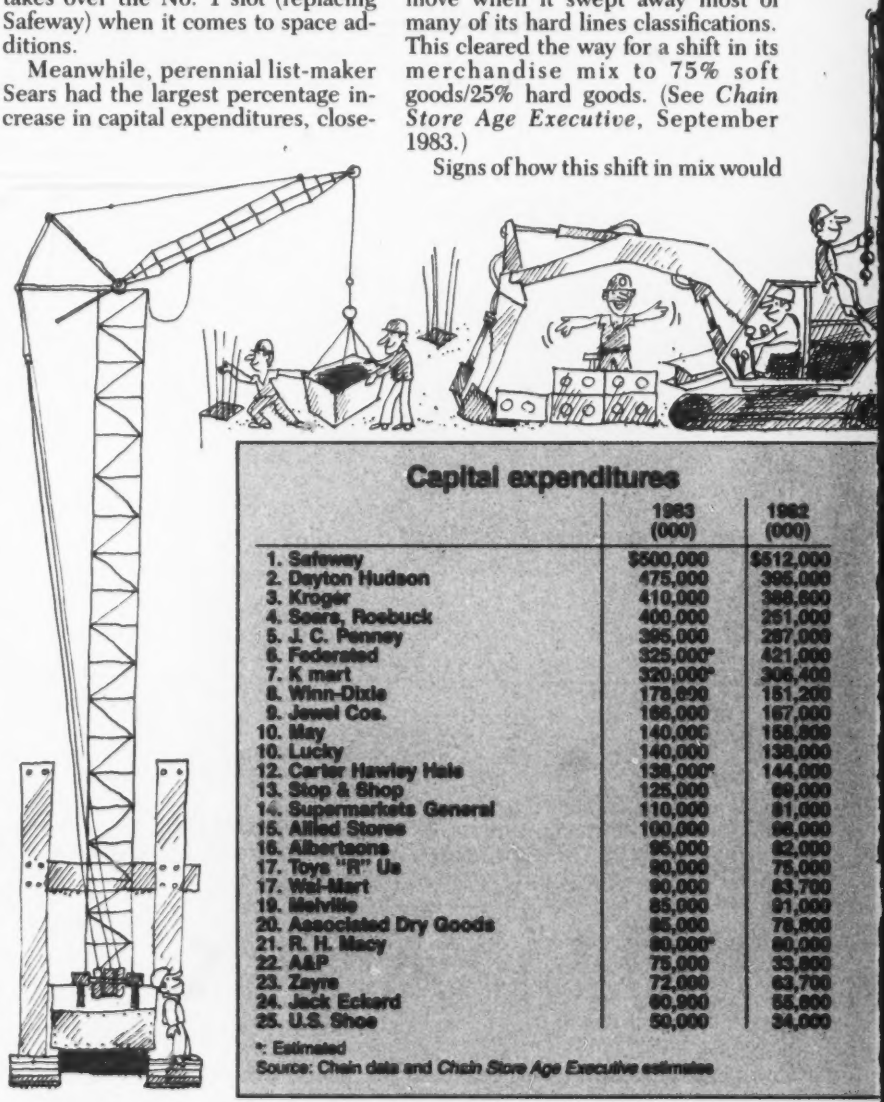
Meanwhile, perennial list-maker Sears had the largest percentage increase in capital expenditures, closely followed by J. C. Penney. At Sears this year's budget was up by 60%; at Penney by 38%.

But instead of devoting the bulk of their increased funding to new store expansion, the two chains are hedging their bets by lining up for what may be the biggest "battle of the prototype" ever waged.

Sears has already fired the first salvo with the opening of its "store of the future" in King of Prussia, Pa., in July of this year. The company's confident that it has created a prototype that can be used for all new stores and as a guideline for the remodeling of all of its major existing units.

Penney, though, has readied some weapons of its own. Having already made a commitment to project more of a "department store image" when it launched its fashion program in 1978, this year Penney made another move when it swept away most of many of its hard lines classifications. This cleared the way for a shift in its merchandise mix to 75% soft goods/25% hard goods. (See *Chain Store Age Executive*, September 1983.)

Signs of how this shift in mix would



Capital expenditures

	1983 (000)	1982 (000)
1. Safeway	$500,000	$512,000
2. Dayton Hudson	475,000	395,000
3. Kroger	410,000	388,800
4. Sears, Roebuck	400,000	251,000
5. J. C. Penney	395,000	287,000
6. Federated	325,000*	421,000
7. K mart	320,000*	306,400
8. Winn-Dixie	178,000	151,200
9. Jewel Cos.	166,000	167,000
10. May	140,000	158,800
10. Lucky	140,000	138,000
12. Carter Hawley Hale	138,000*	144,000
13. Stop & Shop	125,000	89,000
14. Supermarkets General	110,000	81,000
15. Allied Stores	100,000	98,000
16. Albertsons	95,000	82,000
17. Toys "R" Us	90,000	75,000
17. Wal-Mart	90,000	83,700
19. Melville	85,000	91,000
20. Associated Dry Goods	85,000	78,800
21. R. H. Macy	80,000*	80,000
22. A&P	75,000	33,800
23. Zayre	72,000	63,700
24. Jack Eckerd	60,900	55,800
25. U.S. Shoe	50,000	34,000

*: Estimated
Source: Chain data and *Chain Store Age Executive* estimates

translate into presentation first appeared at the chain's stores in Atlanta and Tampa, Fla. But now Penney hopes that its newest store, opening this month in Roosevelt, Long Island, will show how all the pieces fit together.

Although corporate strategy may have dictated such full-scale changes for both chains, plans were also no doubt influenced by the continuing slowdown in new shopping center construction during this year.

The slowdown, coupled with the residual problems of the recession from which the economy is at last emerging, affected the major department store chains in particular. Although most continued to open some new store units (particularly where suitable sites were available in "key" market areas such as Florida, Texas and California), most of their energies went into remodeling projects.

Throughout the country, many department store companies are finding themselves with units located in regional malls which may be as much as 15 to 20 years old. With shopping center developers discovering they can't build (although they are starting to up new construction as the financial binds loosen), they've been finding out that refurbishing these older centers is probably the next best thing.

It benefits everyone when the department store anchors (and that applies to Sears and Penney, too) get in on the act.

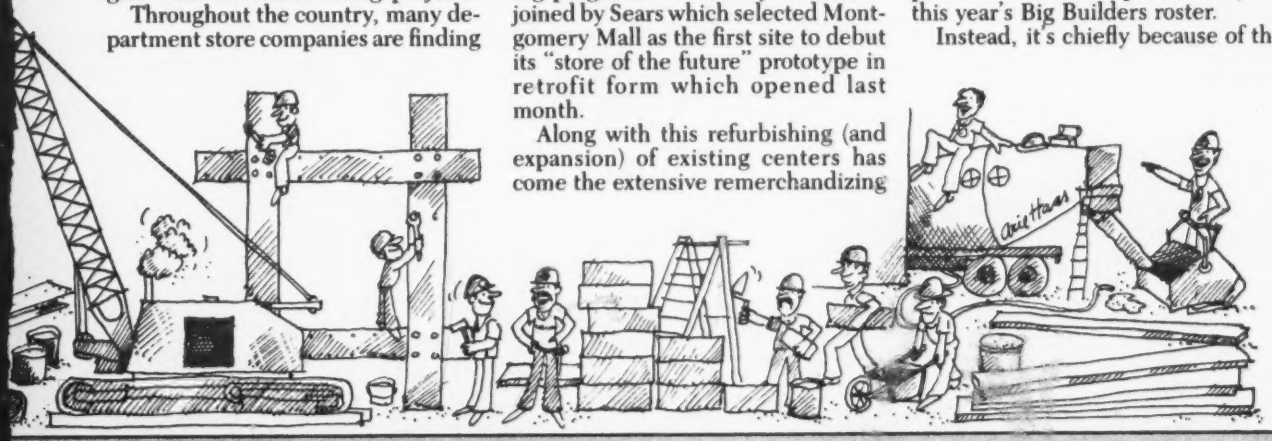
An example is what's happened at Montgomery Mall in Bethesda, Md. The owners, including May Centers, recently spent millions to expand and update the 15-year-old center. In response, among its five anchor stores, both Hecht, a division of the May Co, and Garfinckels, a division of Allied Stores, undertook massive remodeling programs. Now, they have been joined by Sears which selected Montgomery Mall as the first site to debut its "store of the future" prototype in retrofit form which opened last month.

Along with this refurbishing (and expansion) of existing centers has come the extensive remerchandizing of selected projects, altering the tenant mix and making previously leased spaces suddenly available. This is where specialty stores move into the picture.

Leasing agents are particularly keen on going after the "hot" retailing concepts—including U.S. Shoe's Casual Corner, Carer Childs and Ups N Downs specialty stores and Melville's Thom McAn, Foxmoor and Chess King stores, citing just a few of each company's numerous specialty operations. Developers like the near-stratospheric numbers generated by such concepts—sales climbing up to $300, $400 and perhaps even $600 per square foot.

As a result, among the specialty store companies, U.S. Shoe and Melville, in particular, have added a great deal of new space this year. But that's not the major reason why both companies are featured prominently on this year's Big Builders roster.

Instead, it's chiefly because of the



Gross square footage added

	1983 (000)	1982 (000)
1. Wal-Mart	6,378	4,046
2. Dayton Hudson	5,300	2,000
3. Kroger	5,033	4,700
4. Safeway	4,340	4,254
5. K mart	3,400	3,750
6. Federated	2,527	4,527
7. Ames	2,334	272
8. Melville	2,200	2,030
9. Stop & Shop	2,090	1,407
10. Zayre	2,000	1,250
11. Lucky	1,827	2,529
12. Jewel	1,671	1,355
13. Albertsons	1,600	1,100
14. Associated Dry Goods	1,587	917
15. J. C. Penney	1,500	1,900
16. U.S. Shoe	1,500	1,120
17. Winn-Dixie	1,318	1,348
18. Toys "R" Us	1,100	1,900
19. Allied Stores	917	778
20. Best Products	800	175
20. Service Merchandise	800	495
22. Supermarkets General	780	400
23. Home Depot	720	480
24. Sears, Roebuck	700	1,800
25. Revco	652	786

Source: Chain data and *Chain Store Age Executive* estimates

Net square footage added

	1983 (000)	1982 (000)
1. Wal-Mart	6,000	3,807
2. Dayton Hudson	5,333	2,700
3. Kroger	5,033	4,100
4. Safeway	4,800	3,031
5. K mart	3,000	3,400
6. Ames	2,334	200
7. Melville	2,000	1,900
8. Zayre	1,952	600
9. Stop & Shop	1,690	1,131
10. Associated Dry Goods	1,587	917
11. Federated	1,525	4,459
12. Albertsons	1,500	700
12. U.S. Shoe	1,500	1,100
14. Lucky	1,177	2,200
15. Jewel Cos.	1,128	586
16. Toys "R" Us	1,100	1,900
17. Allied Stores	838	95
18. Best Products	800	200
18. Service Merchandise	800	250
20. Home Depot	720	480
21. Supermarkets General	710	300
22. Rite-Aid	650	620
23. Revco	622	779
24. Winn-Dixie	510	623
25. J. C. Penney	500	1,000

Source: Chain data and *Chain Store Age Executive* estimates

commitment of these companies to their off-price divisions—Melville with Marshalls and U.S. Shoe with Front Row, T. H. Mandy, Outletters, Crackers and Merchants Linen Warehouse. (Zayre is also devoting a large percentage of its 1983 capital expenditures budget of $72 million to its off-price divisions, T. J. Maxx and Hit or Miss).

Off-price is the hottest phenomenon to hit the retailing industry this year and stores are showing up everywhere. Examples are found in regional malls, in strip centers, in downtown mixed-use projects, in freestanding units and in specifically designated off-price/outlet centers. (They are also finding a home in some of the former Woolco units which, because of their mammoth size, are being subdivided to house more than one retail tenant.)

Of course, other sectors of the industry are busy adding stores too—including the leading drug store chains. Companies such as Rite-Aid and Jack Eckerd have been moving into new market areas as well as adding to present market strength. Yet, many drug store companies complain that their expansion programs are still being hampered by a lack of suitable available space. As a consequence, most of these companies are opening somewhat fewer stores than in 1982.

The supermarket industry continues to dominate the Big Builders list—but not to the same extent as in years past. It's not that the supermarketers are drawing back, but that the discount and off-price operators are that much more expansion-minded.

The real news in the supermarket industry comes from the race Safeway and Kroger appear to be running. This year Kroger is hotter than ever on Safeway's heels and, in fact, is adding 5,033,000 gross square feet compared with Safeway's 4,340,000 sq. ft. (and Safeway's figures cover worldwide operations).

Kroger's big move in edging up came about this year through its merger with the Dillon Cos. Combined with expansions taking place at both companies, this will bring the corporation's total supermarket store count to 1,498 by year-end. Safeway's will stand at 2,511 (again, encompassing worldwide operations).

In general, the route the leading retailers have been pursuing this year when it comes to their capital expenditures is an outgrowth of their corporate objectives.

If the interest rates don't inch up too much, if the current sales upturn continues, it's almost a sure thing that 1983's Big Builders will be even busier in 1984. ■

Supermarketer tops list again

Safeway projects that it will have a total of 2,511 stores worldwide by the end of 1983.

This year Safeway was again the top Big Builder in terms of capital expenditures, with a budget of about $500 million. Yet, the Oakland, Calif.-headquartered supermarket giant is targeting an addition of 4,347,000 sq. ft. of gross selling space to its food stores worldwide.

The chain's expansion plans call for 152 new stores this year, only one more than was built in 1982. Safeway plans to close 95 units this year compared with the 162 units it shuttered the previous year which included its entire 65-store Omaha division.

At the end of 1983, Safeway projects that it will have 2,511 stores worldwide, compared with 2,454 stores at the end of 1982.

Of its $500 million capital expenditures budget this year, the money will be used to build more than 120 stores and extensively remodel about 90 others.

Safeway officials say they are attempting to support real earnings growth by an expanded sales base. To achieve this goal, Safeway has undertaken what it describes as an aggressive merchandising program. Additionally, it is confining its construction and remodeling program to stores in areas that the company believes offer the best potential return on investment.

Approximately 915 stores at the end of 1982 were equipped with computer-assisted power management systems to monitor and control energy use. Safeway installed another 141 checkstand scanning systems last year and expects to have a total of 500 stores with them by the end of 1983.

At year-end 1982, Safeway had 1,769 conventional supermarkets averaging 23,761 sq. ft.; 529 superstores (40,771 sq. ft.); 81 Food Barns (22,716 sq. ft.), and 67 Liquor Barns (18,746 sq. ft.). Purchases of fixtures and equipment amounted to $231 million in 1982.

According to Safeway officials, major sources of capital funding were funds obtained from operations. Sales/leaseback financing and mortgage financing provided $178 million in 1982. ■

Big budget is No. 1

	1983	1982
Stores in operation at end of calendar year	2,511	2,454
Total stores added in calendar year	152	191
Square footage added in calendar year	4,347,000	6,128,744
No. of stores closed	95	162
Total capital expenditures	$500 mil.	$500 mil.

Source: Chain data and *Chain Store Age Executive* estimates

Grows by 5.3 million sq. ft., plus an entire new division

Dayton Hudson's nine-store test of Plums carried a $30 million price tag.

Moving into new regions

	1983	1982
Stores in operation at end of calendar year	1,187	1,074
Total stores added in calendar year	113	105
Square footage added in calendar year	5,300,000	2,000,000
No. of stores closed	0	0
Total capital expenditures	$475 mil.	$395 mil.

Source: Chain data and *Chain Store Age Executive* estimates

Dayton Hudson is having a busy year.

By the time the end of January rolls around and its fiscal year closes, the company will have added a minimum of 39 Target stores, 17 Mervyn's stores, one department store and approximately 55 B. Dalton bookstores for an increase in total retail space of approximately 5.3 million sq. ft. And that doesn't even include the beginnings of a whole new division, Plums, The Elegant Discounter, which also took place this year.

To make all this happen, and excluding the expenses involved in the Plums "experiment," for the current fiscal year Dayton Hudson upped its capital expenditures budget by 20% to $475 million from $395 million spent last year. That was when the company added 16 Target stores, 12 Mervyn's stores and approximately 110 B. Dalton units, for a total of 2 million sq. ft.

Beyond the actual additions to square footage, Dayton Hudson's construction activities this year have also been significant in terms of moving two of its divisions into new, and potentially extremely profitable, market areas.

This year Target opened stores for the first time in California, eight in San Diego and 19 in Los Angeles. Here, as well as in Arizona and El Paso, Tex. (two additional markets which the division entered this year), the company has been able to take advantage of the acquisition deal for 33 former Fed-Mart stores which it made in 1982. This, in turn, allowed it to add such a significant amount of total retail square footage at considerably lower cost than if it had built these stores from the ground up.

As for Mervyn's, emphasis there has been on the building of its newly organized South Central territory where seven units will be open by year-end, along with its 10 new units in California, Arizona, Nevada and Colorado.

The South Central territory, with a new headquarters building and distribution center in Dallas, will eventually include 40 stores planned for Texas between now and 1987, as well as stores in surrounding states.

However, what riveted the attention of much of the retailing industry on Dayton Hudson this year was the launching of a nine-store "test" of its Plums concept, with a price tag of $30 million. The first three stores opened in the Los Angeles market in early summer, each containing approximately 25,000 gross square feet, or 20,000 net square feet of selling space, and aimed specifically at an upscale consumer. There will be six operating by year-end.

All of these actions, along with the building program taking place at B. Dalton, further illustrate the fact that Dayton Hudson is continuing rapid diversification from its original department store base. This year it will have added only one new department store.

In total, plans call for an investment in the company's existing businesses (not including Plums) of $2.4 billion through 1987. ■

Prototype ups budget 60%

With all systems now go for its new store prototype, this year Sears, Roebuck's Merchandising Group upped its capital expenditures budget by 60%, to $400 million from only $251 million spent in the previous fiscal year, ended Dec. 31, 1982.

Most of the increase is being used in the conversion of existing units to reflect Sears latest merchandising concepts.

The first hints of the new prototype appeared in Sears' Vernon Hills, Ill., store and in two Miami, Fla., units. But it was really with the opening of its King of Prussia, Pa., store in mid-July that everything was finally pulled together.

Dubbed by Sears, the "store of the future," the suburban Philadelphia unit has been designed to reflect the direction in which Sears has been moving with its merchandise mix for the past several years. That period has seen the gradual addition of more upscale merchandise and more brand name goods, particularly in areas such as apparel and home furnishings.

However, up until the new prototype debuted, management continued to express concern that the look of the stores themselves didn't match up to the new merchandising thrust. King of Prussia brings Sears up to date.

Based on the reaction of Vernon Hills (one of the first stores to begin incorporating the new presentation techniques) and early reports from King of Prussia, Sears is in the midst of an accelerated remodeling program to expand the prototype for-

Sears rolled out its "store of the future" in King of Prussia, Pa., in July—one of 12 such openings

All systems set to go

	1983	1982
Stores in operation at end of calendar year	392*	372
Total stores added in calendar year	14	28
Square footage added in calendar year	700,000	1,200,000
No. of stores closed	10	46
Total capital expenditures	$468 mil.	$251 mil.

*estimate
Source: Chain data and *Chain Store Age Executive* estimates

mula.

Edward A. Brennan, chairman of the Merchandising Group, reports that by 1990 all of the company's 392 full-line stores will have been remodeled, with merchandising changes occurring even before the structural changes can be made. It is also expected that most of the big volume Sears units will get the makeover sometime in the next three years. The average cost per store is estimated at $2.5 million.

The layout of the "stores of the future" also attempts to solve another of what has long been acknowledged to be one of Sears' key problems. While it may often have the merchandise the consumer is looking for, in the past the layout often made it too confusing for the customer to find it. The frustration lost customers.

To solve this problem, the "stores of the future" are being rearranged with merchandise grouped by lifestyle and by end-use. In addition, a race track traffic pattern allows departmental depth to be kept to 35 ft. instead of the 55-60 ft. of the past. This has two effects: It makes it easier for the consumer to identify separate departments and it provides the new units with a look more akin to a mid-range department store. The last factor is particularly significant since Brennan has already proclaimed that he wants to make certain Sears is recognized as the "only true department store" (*Chain Store Age Executive*, September 1983).

While all this remodeling gets under way, by year-end Sears will have added 12 "stores of the future" plus two smaller units. It plans for 14 additional "stores of the future" to be built in 1984.

The new stores this year add 700,000 gross square feet to Sears' operation. Yet, the total effect has been to reduce net square footage by approximately 100,000 sq. ft. That's because this year's building program has, in fact, added only four brand-new stores, with the 10 others being relocations. The relocated stores are substantially reduced in size from the former units. ■

BIG BUILDERS/**KROGER**

Budget reflects $410 million for expansion/remodel plan

Kroger grabbed more than its share of the supermarket industry spotlight this year as a result of its merger with the Dillon Cos., adding 219 supermarkets and 252 convenience stores to the corporation's store roster.

But it hasn't stopped there.

By the end of its fiscal year in January 1984, Kroger will have invested approximately $410 million in a wide-scale store expansion and remodeling program. This will add 2,950,000 sq. ft. to the combined Kroger and Super-Rx drug store operations and 592,000 sq. ft. to the Dillon Cos. divisions.

Of this amount, approximately $330 million is being used for the Kroger supermarket operations. This includes approximately 65 Kroger food stores, down from the 101 added in the previous year. However, 100 store remodelings are being undertaken, in contrast to 19 last year.

More than two-thirds of Kroger's stores being built in 1983 are located in the Sunbelt, cited by the company as a profitable area for future growth. The Dillon merger, meanwhile, provides the company with a strong market presence in such other growth areas of the country as Colorado, Arizona, California and Texas.

At the end of last year the average size of Kroger's supermarket units stood at approximately 30,000 sq. ft. This number is on its way up with the company's emphasis on the combination store format with an average store size of 45,000 sq. ft. Not only

Kroger is allocating approximately $330 million for its supermarket operations.

are most of the remodelings aimed at transforming existing units into this concept, but of the stores being added this year, approximately 70% are combination stores. There were 58 added last year.

The combination stores, in effect, combine traditional supermarket and drug store merchandise classifications under a single roof. In addition, the one-stop-shopping concept extends to the inclusion of a variety of service specialty departments.

During 1983 the company is adding approximately 200 floral shops, 150 health foods departments, 130 service seafood shops and a similar number of service meat counters. They join 120 new in-store bakeries, 90 delis and 80 cheese shops.

The combination store format is also being adopted at the Dillon Cos. with this year's capital expenditures budget of approximately $80 million including plans for 12 new combination stores along with 18 convenience stores.

Dillon joins Kroger in the expansion of specialty offerings. By January it will have opened 15 delis, 14 bakeries, 13 pharmacies and eight health food departments.

Basking in the spotlight

	1983	1982
Stores in operation at end of calendar year	2,582[1]	1,199
Total stores added in calendar year	54[2]	178
Square footage added in calendar year	5,033,000[2]	4,700,000
No. of stores closed	0	181
Total capital expenditures	$418 mil.	$388.6 mil.

[1]Reflects Kroger's merger with the Dillon Cos.
[2]Reflects only new store construction by both Kroger and Dillon.
Source: Chain data and *Chain Store Age Executive* estimates

Kroger's commitment to the drug store business translates this year to the opening of 64 new stores. This compares to the previous year when the division opened 48 stores and added 29 units through acquisitions of existing groups of stores in Illinois, Ohio and Florida.

In addition, at SupeRx a major store revitalization program is under way. ■

BIG BUILDERS/**ALLIED STORES**

Spending set at $100 million

When it comes to new store expansion this year, Allied Stores hasn't come roaring back like a lion, but it hasn't been as meek as a lamb either.

A year ago Allied, reeling from the enormous interest expense stemming from its financing of the purchase of Garfinckel, Brooks Brothers, Miller & Rhoads, announced that it was sharply cutting its previously announced five-year capital expenditures budget. It went from the original $750 million to $550 million.

For the year 1982 itself, Allied was extremely cautious. Total capital expenditures dropped 24% from the year earlier, to approximately $100 million.

That is the same level that was set for 1983. Yet, the company has been able to show considerably more aggression in terms of new store openings.

By the time the current fiscal year comes to a close in January, Allied will have opened nine new department stores; one new Bonwit Teller unit; four Brooks Brothers stores; six Ann Taylors and 15 Catherine's and Plus-Size stores.

This is in comparison with last year when the company opened only four new department stores; six Brooks Brothers stores in the United States and two in Japan; six Ann Taylors, including one replacement store, and eight Catherine's and Plus-Size stores.

Becoming more courageous

	1983	1982
Stores in operation at end of calendar year	303	258
Total stores added in calendar year	45	18
Square footage added in calendar year	917,000	778,000
No. of stores closed	0	2
Total capital expenditures	$100 mil.	$98 mil.

Source: Chain data and *Chain Store Age Executive* estimates

The activity this year will result in the net addition of 838,000 sq. ft. of space, compared with last year's 95,000. During 1982, Allied had closed the old, extremely large Donaldson's flagship store in Minneapolis (now replaced by a smaller unit), another department store, two Ann Taylor units and a Catherine's. Reportedly, no

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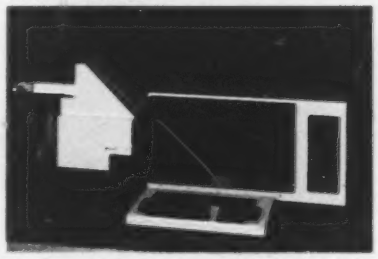

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stores are being closed during this current year.

The company has stated that it is assuming a more aggressive expansion posture largely in reaction to a general improvement in the economy.

But in addition, the company has been able to successfully refinance a large portion of its debt by entering into revolving credit agreements totaling $100 million. These, along with other improvements in the financing sector, have substantially lessened its interest rate burden.

Allied learned the hard way that it is impossible to do everything at once, and that lesson now extends to the geographical dispersion of its department store business.

The company is placing great emphasis on the strength of its department stores in New England, in the Middle Atlantic States, in the Southeast (with major operations in Florida, Virginia and Tennessee), in Texas and in the Pacific Northwest. ■

Expansion slackens to $325 million

Federated's plans include its year-end closing of its six-store Bullock's northern division.

In its fiscal year ended Jan. 31, 1983, Federated Department Stores was extremely aggressive. It utilized a record capital expenditures budget of $421 million not only to modernize existing units, but to add approximately 4.6 million gross square feet of space (including the acquisition during that year of The Children's Place).

Federated believes it has paid dearly for this effort. Management puts much of the blame for the company's disappointing financial results for the year, when net income fell 9.6% on a very modest sales increase of 8.9%, on the costs of the expansion program. (There were other contributing factors such as weak operating results at some of its divisions, linked to the lingering effects of the recession well into the fourth quarter.)

Management is still confident that long-term the expansion will be worth the price, but for the near-term it has pulled in its horns somewhat. Industry observers place this year's total capital expenditures budget in the vicinity of $325 million, down approximately 23% from the $421 million spent in the previous fiscal year.

In turn, this year the company will be adding 2.5 million gross square feet of space, and approximately 1.5 million net square feet of space, (affected by the planned closing at year-end of Federated's Bullock's six-store northern division).

This compares with the addition in the year-earlier period of 4.6 million gross square feet of space, and an estimated 4.5 million sq. ft. net, again taking into account the purchase of The Children's Place. Also during 1982 the Ralphs Supermarket division acquired 17 Market Basket supermarkets sold off by Kroger.

By the end of this year, the company will have opened 10 department stores, including the much heralded entry of Bloomingdale's into the Dallas market where its new unit opened last month. During the previous year Federated opened 17 new department store units.

Although representatives of several of Federated's department store divisions have been extremely outspoken in their opposition to the rise of off-price retailing (*Chain Store Age Executive*, August 1983), Federated has been quietly increasing its own involvement.

This year it has opened two additional Filene's Basement stores in Boston, along with an additional Basement store in Flushing, N.Y. (joining its three reportedly very successful units on nearby Long Island).

The Children's Place will have opened at least 25 additional stores by year-end, with a significant number of these reported to be its offspring, The Children's Outlet. (Between the acquisition of The Children's Place in March 1982 and Jan. 31, 1983, the new division opened 16 children's apparel stores and eight outlet stores.)

Federated also remains very much committed to its supermarket division, Ralphs. Seventeen new stores were added in 1982 and 21 new stores are planned for 1983, including the expansion of Ralphs' very successful superstore concept (*Chain Store Age Executive*, May 1983).

In the period from 1982 through 1985, Federated is expecting to invest approximately $180 million in the Ralphs division, nearly doubling the investment of the previous four-year period. Of this amount, nearly $93 million was spent in 1982 for what management refers to as the "opportunistic purchase of stores and sites."

As for its two upscale mass merchandising divisions, in the same period (1982-85), Federated says that it is upping its investment in these two divisions to $150 million, an increase of 83% over the amount invested in this segment in the previous four-year period. Approximately $61 million was spent in 1982. During that year Gold Circle opened 14 new stores, the greatest single-year growth in its history, with only one additional store opened this year. At Richway, seven new stores opened last year. ■

Pulling in the expansion horns

	1983	1982
Stores in operation at end of calendar year	562	508
Total stores added in calendar year	60	139[1]
Square footage added in calendar year	2,527,000	4,567,000[1]
No. of stores closed	6	1
Total capital expenditures	$325 mil.*	$421 mil.

[1]Reflects 1982 acquisition of The Children's Place
*estimate
Source: Chain data and *Chain Store Age Executive* estimates

Number of units set to climb by 62%

Last summer at Wal-Mart's annual meeting, Sam Walton, the discount chain's chairman and ceo, predicted that his chain will have 1,250 stores and $14 billion in sales by 1988. Looking at the record of building and expansion in recent years, there is no reason to doubt that claim.

By the end of this year Wal-Mart will have increased the number of stores in operation by 62%. The increase is just one lap of a steady course of expansion that will continue into 1984 and beyond.

David Glass, vice chairman and cfo, estimates that capital expenditures will swell another 11% in 1984 to $100 million.

This year Wal-Mart will add 91 stores to the roster and close none. In addition, the chain opened a highly sophisticated 900,000-sq.-ft. distribution center/warehouse in Cullman, Ala.

Capital expenditures in 1983 will total $90 million, and at year-end the chain will be running 640 stores in 15 states.

Wal-Mart topped the upward trend in capital expenditures that took the industry average from 1% to 6% in 1983, as its expenditures represented a 7% increase over 1982 spending.

Wal-Mart's stores range in size from 30,000 to 80,000 sq. ft. with the average unit covering 50,000 sq. ft. The square feet available for the sale of merchandise has been on a steady upward incline for the past decade, with particularly steep advances in the past two years—in 1982 the chain's total climbed from 15.5 million sq. ft. to 23.9 million, and to 27.7 million in 1983.

Entering new territory

	1983	1982
Stores in operation at end of calendar year	640	459
Total stores added in calendar year	91	69
Square footage added in calendar year	6,373,883	4,656,814
No. of stores closed	0	5
Total capital expenditures	$90 mil.	$84 mil.

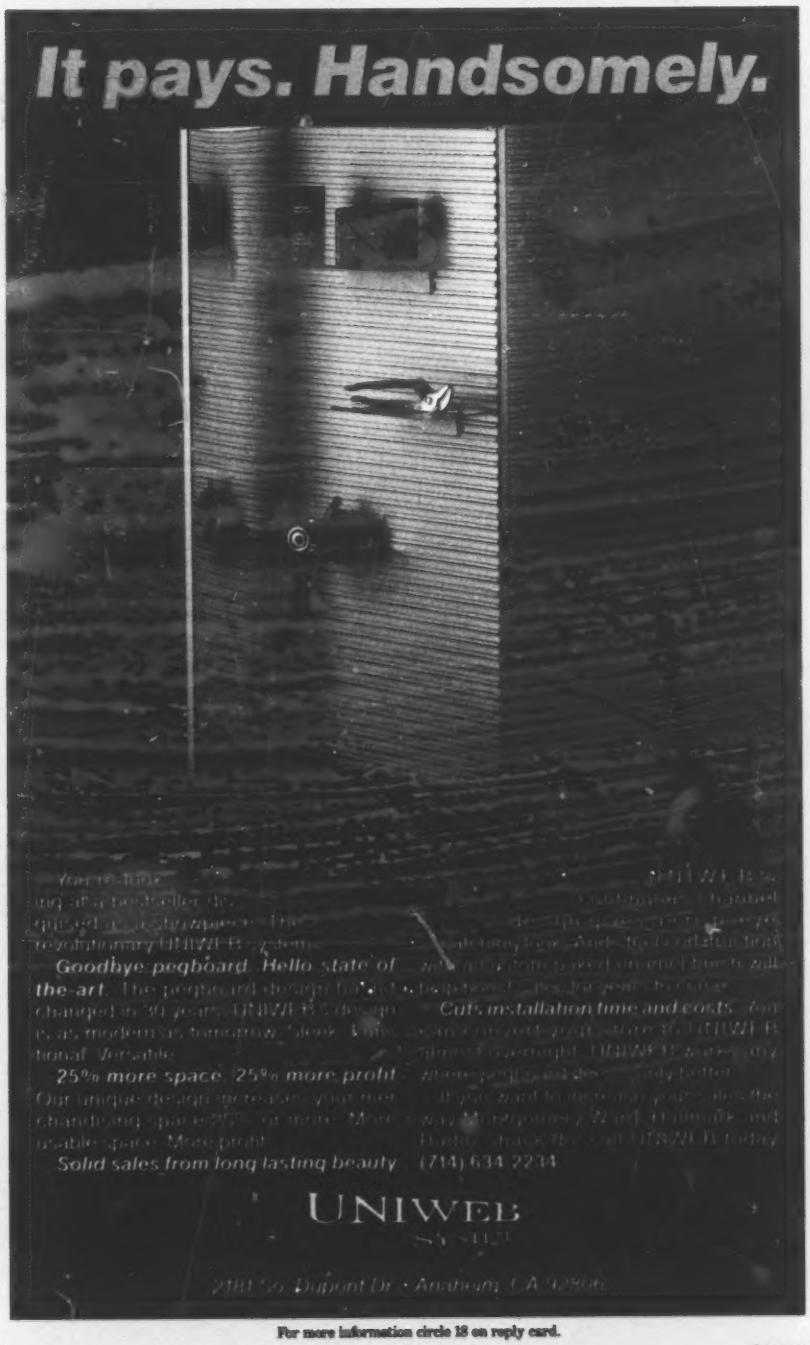
Source: Chain data and *Chain Store Age Executive* estimates

Glass put this year's construction costs at $15.35 per square foot.

Wal-Mart converted a 100,000-sq.-ft. building in Oklahoma City to Sam's Wholesale Club this year at a cost of $400,000, and since its opening last April the sales results have been strong. Wal-Mart plans to capitalize on this success with the addition of two more Sam's Wholesale Clubs in Dallas and Kansas City.

Sam Walton stresses that the chain's strategy is to backfill existing territory.

However, in addition to filling in the spaces the chain is venturing into some new territory, including an increased number of stores being located in and around metropolitan areas within the chain's regional trade territory. ■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Activity consistent at major discounter

K mart's capital expenditures declined 15% to $306 million in 1982 from $360 million in 1981. In the remainder of this year the chain is unlikely to have capital expenditures much higher than 1982 levels.

While spending levels are not growing at the nation's largest discounter, they are not insignificant, and spending is in line with K mart's efforts to control expenses and get back on track in sales and earnings. K mart's sales are projected to total at least $18.6 billion in 1983, up from $16.8 billion in 1982.

Although K mart declined to disclose its capital expenditures for this year, the company's annual report predicts that the discount store operator will open 75 K mart stores in 1983 and 30 Designer Depot off-price, specialty units. In 1982 the chain opened 70 K marts, averaging about 100,000 sq. ft., and one Designer Depot of approximately 25,000 sq. ft.

K mart has been spending heavily on remodeling and refurbishing, on beefed up home improvement departments and on new fashion merchandising for basic hard lines, such as its Kitchen Korner department. Kitchen Korner was launched in 27 K marts in 1982 and is due to go into about 300 additional stores this year. Bed and bath shops are planned for 300 stores in 1983.

Spending levels stay even

	1983	1982
Stores in operation at end of calendar year	2,450*	2,380
Total stores added in calendar year	80*	171
Square footage added in calendar year	4,000,000*	8,600,000
No. of stores closed	17	53
Total capital expenditures	$320 mil.	$306 mil.

*estimate
Source: Chain data and *Chain Store Age Executive* estimates

Home improvement centers for DIYers is the other hot merchandise area being developed by K mart. The discount store division has slated 40 5,000-sq.-ft. departments to start the program with a long range target of 500 centers.

K mart's pet building project this year is the addition of 30 stores to the Designer Depot women's apparel specialty chain, its major entry in off-price retailing. The stores will range in size from 25,000 to 30,000 sq. ft. and K mart expects the chain to be profitable by the end of 1984. At that time it plans to be operating 100 Designer Depot stores.

K mart officials say that Designer Depot, which opened in Farmington Hills, Mich., in 1982, is only the first of the "specialty discount businesses" the Troy, Mich.-based discounter is planning to launch by the end of the decade. Samuel Leftwich, president of K mart, explains that the chain's plan is to expand its specialty offerings in markets stretching from Philadelphia to California.

K mart will continue to locate its stores in diversified markets, from suburban strip specialty centers to inner-city restorations. ■

1983 assignment: Reposition

There are big changes under way at J. C. Penney and they are reflected in the company's 1983 capital expenditures budget of $395 million, up approximately 38% from the $295 million it spent in the fiscal year ended Jan. 31, 1983.

J. C. Penney is a company with a mission. It is out to reposition all of its full-line units into a nationally recognized chain of department stores (*Chain Store Age Executive*, September 1983). To carry this out, the chain has embarked on a massive remodeling program. Much of the 1983 increase in capital expenditures is being devoted to this program.

In total, approximately $1 billion has been budgeted by the company to be spent over a five-year period (beginning with 1983) on the remodeling of the company's older units to install the new merchandising concepts.

Meanwhile, though, J. C. Penney is also continuing to add new stores, although feeling constrained somewhat by the overall slowdown in shopping center construction.

By year-end it will have opened a total of 19 new department stores and 11 soft line stores, along with 10 new Thrift Drug and Treasury Drug units. This compares with 1982 when the company added 20 department stores and one soft line store, along with 15 geographic stores and 37 drug stores (20 of which were acquired).

Embarking on a mission

	1983	1982
Stores in operation at end of calendar year	2,419*	2,400
Total stores added in calendar year	40	73
Square footage added in calendar year	1,000,000	1,000,000
No. of stores closed	N.A.	N.A.
Total capital expenditures	$395 mil.	$287 mil.

N.A.—Not Available
*estimate
Source: Chain data and *Chain Store Age Executive* estimates

Penney has budgeted approximately $1 billion to be spent over a five-year period

The big question for J. C. Penney remains, how well and how quickly can it refine its new store prototype? It is already experimenting in Atlanta, in Tampa and now on Long Island. Only time will tell the results. ■

Spectacular growth continues

Toys "R" Us plans to increase its toy square footage by about 18% each year.

Toys "R" Us' capital expenditures look like building blocks: in 1982 they were $75 million; in 1983 they went to $90 million, and for 1984 the projected capital expenditures budget is mounting to $120 million. The specialty toy store chain is adding over 1 million sq. ft. a year now—1.1 million in 1983 and a projected 1.3 million in 1984. Its store total is 149, operating in 21 states.

Such rapid growth is grounded on spectacular revenues. Sales for fiscal 1983 passed the $1 billion mark from $783 million the year before, with a net earnings gain of 31% to $64 million.

Toys "R" Us has also launched a new division, Kids "R" Us, an off-price, brand-name chain of children's clothing stores which already shows strong signs of following its parent's success. Two 21,000-sq.-ft. stores opened this year in Hackensack, N.J., and Brooklyn, N.Y., and are performing extremely well by all accounts, signaling rapid growth to come in the division.

The Toys "R" Us chain will also move into the international market, with its first group of stores scheduled to open in Toronto, Canada, in the fall of 1984. Through an agreement with Alghanim Industries, the company also will help launch a toy store in Kuwait this fall.

Toys "R" Us says it plans to continue increasing its toy store square footage by about 18% each year by expanding in its existing markets. These range from a major California market presence along with stores in Washington and Oregon, down to Florida, Louisiana and Texas and up through Oklahoma, Indiana, Illinois, Michigan, Wisconsin and Ohio.

However, Toys "R" Us says it also intends to enter a new geographic region each year. In 1982, the company opened five stores in a new market in southeastern Florida, and in 1983 the firm expanded into Georgia, Alabama and parts of Tennessee. For 1984, Toys "R" Us plans to move into southern Ohio and parts of Kentucky and Indiana.

Store growth in calendar 1982 came to 24, followed by 25 new units in 1983. Square footage rose by 1,032,000 in 1982 and is rising by 1,100,000 in 1983. ■

Stacking the building blocks

	1983	1982
Stores in operation at end of calendar year	149	124
Total stores added in calendar year	25	24
Square footage added in calendar year	1,100,000	1,000,000
No. of stores closed	0	0
Total capital expenditures	$90 mil.	$75 mil.

Source: Chain data and *Chain Store Age Executive* estimates

Strong performance seen from Front Row seats

U.S. Shoe is now heavily—but happily—committed to the off-price concept.

By early fall, two Front Row stores had opened in Chicago and three in Houston, "the second biggest thing to blow in" that city this year, according to Anthony Derck, president of men's specialty retailing.

The company has confirmed its plans to open 880,000 sq. ft. of space devoted to "strong value" retailing in time for the Christmas season, including 22 Home Front stores, its off-price, home textiles operation acquired last year as Merchants Linen Warehouse.

Philip G. Barach, ceo, says he expects sales from the 50,000 sq. ft. to 70,000 sq. ft. Front Row "soft goods supermarkets" to grow anywhere from $200 million to $500 million annually.

The off-price stores, which sell branded apparel 20% to 50% off regular retail price, are "fertile but untilled" ground, Barach says. "They are the single biggest piece of dynamite we have."

Sales from the company's group of off-price stores, including the T. H. Mandy women's apparel chain which is opening five stores this year, are expected to double to $400 million from their current $200 million mark.

But Barach adds that during 1983 he has also become "much more optimistic" about enclosed mall retailing and expects a 9% to 12% growth rate there for the next few years, de-

Betting on off-price bonanza

	1983	1982
Stores in operation at end of calendar year	1,130	990
Total stores added in calendar year	166	183
Square footage added in calendar year	1,000,000*	1,120,000
No. of stores closed	12*	16
Total capital expenditures	$91 mil.*	$83 mil.

*estimate
Source: Chain data and *Chain Store Age Executive* estimates

spite its maturity. Casual Corner, the company's largest specialty chain at 534 stores, is adding a net 18 stores this year and remodeled 50 more. Barach says the chain can grow by an additional 50 stores a year over the next two years.

Ups 'n Downs, another enclosed mall chain aimed at the junior between 16 and 20, is expanding by 38 stores in 1983 to 139 stores by year-end. U.S. Shoe believes it is "probably the strongest junior chain in the market today."

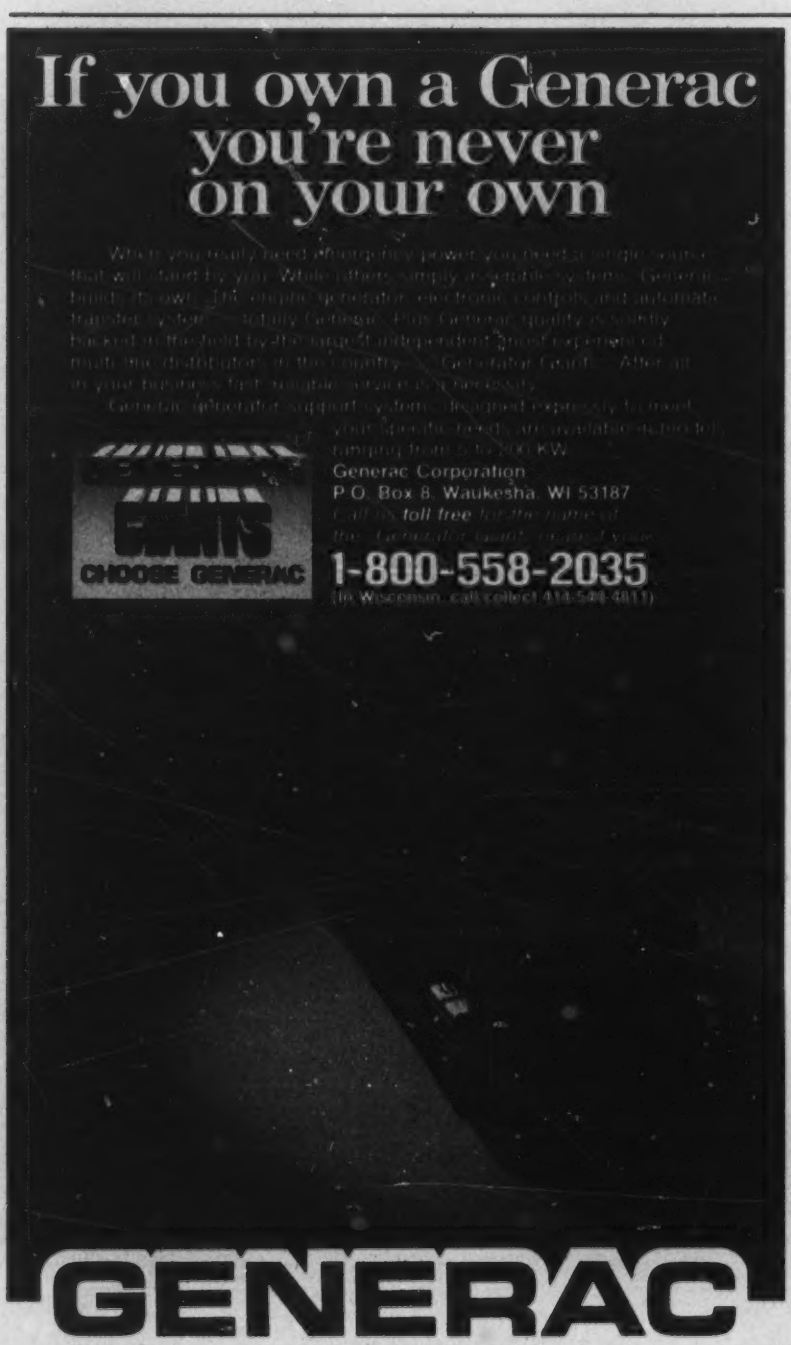
Caren Charles, a 29-store chain focused on the middle-aged market, will add 22 to 45 new stores, the company says. And Petite Sophisticates, the latest of these specialty chains, started up this year with 13 stores now open. Already it is reporting sales surpassing $300 per square foot, according to Barach.

Along with August Max, Barach says he expects these five divisions to add 120 stores in 1984.

Another new specialty chain, 9 to 5, aims at the career-woman market. These stores sell only Casual Corner clothing, but are able to move into malls where lease restrictions hamper Casual Corner expansion (because of close proximity to existing Casual Corner units). The company says it plans to add 15 of these stores during 1984.

Other 1984 net openings include three J. Riggings menswear stores for a total of 187; one Proving Ground menswear store for a total of 51 and eight Little Folks stores for a total of 15.

In all, by year-end U.S. Shoe will have opened 195 stores, 155 in enclosed malls and 40 in freestanding strip centers. The total number of stores expected to be in operation by the end of the year is 1,139. ■



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BIG BUILDERS/REVCO

Activity up after previous slowdown

Revco Drug Stores is accelerating store openings in the fiscal year which began in June after a slowdown last year. Revco says it is seeing a rekindling of activity by shopping center developers and also will be expanding its program to locate and develop new sites.

In fiscal 1983, Revco opened or acquired 74 stores and closed six, bringing its year-end total to 1,661. For 1984, the drug chain has set a target of 120 new stores, excluding acquisitions.

Store remodelings and relocations, which totalled 184 in 1983, will continue at a fast pace, according to the company. Some 200 remodelings are planned, and another 20 stores will be enlarged or relocated.

Capital spending of $48 million is budgeted for this current fiscal year, with $27 million allocated for new stores, remodelings and store systems, including pharmacy computers and electronic cash registers. ■

A little cautiousness prevails

	1983*	1982*
Stores in operation at end of fiscal year	1,661	1,587
Total stores added	74	N.A.
Square footage added	779,000	622,000
No. of stores closed	6	N.A.
Total capital expenditures	$29 mil.	$42 mil.

*Figures are for the fiscal year ending in May
N.A.—Not Available
Source: Chain data and *Chain Store Age Executive* estimates

Space productivity keys 11.4% expenditures cut

This year May Department Stores is proceeding almost right on target with its capital expenditures program, utilizing a budget of $140 million, or 11.4% less than the $158 million spent in the prior fiscal year.

Relative to the company's 11 department store divisions, in August the corporation opened three stores, or an additional 390,000 sq. ft. of selling space. During 1982, four new department stores, representing 529,000 sq. ft. of selling space, were opened.

The seven department stores built during the past two years are part of May Department Stores' already announced 1982-86 expansion program. This is aimed at adding a total of 23 department stores, equivalent to 3 million sq. ft. of retail space. The program is expected to carry a total price tag of approximately $400 million.

This figure includes $200 million to be spent on major renovations, remodels and space reductions of the company's department stores over this same five-year period.

Like other department store companies, May is focusing this effort on maximizing the return from the most profitable merchandising areas and upping the productivity of what is currently judged to be under-utilized space.

Proceeding on target

	1983	1982
Stores in operation at end of calendar year	1,585	1,468
Total stores added in calendar year	117	197
Square footage added in calendar year	1,175,000	1,261,000
No. of stores closed	0	0
Total capital expenditures	$140 mil.	$158.8 mil.

Source: Chain data and *Chain Store Age Executive* estimates

In addition, it is continuing the program of space reduction, which first got under way with the leasing of space in the May Co.'s downtown Cleveland store (plus the sale of 100,000 sq. ft.), and in Hecht's downtown Baltimore store. This year these moves have been followed by space reductions in G. Fox's downtown Hartford, Conn., store and the M. O'Neil's downtown Akron, Ohio, store. Combined these total approximately 800,000 sq. ft.

May's biggest changes in expansion plans this year are occurring at Venture, its quality discount store division.

During 1982, Venture opened three stores in the Chicago area, each approximately 100,000 sq. ft., which marked the first new stores opened by the division in three years. Combined sales there have far exceeded original targets.

Based on the 1982 performance figures, this year Venture announced an accelerated expansion plan of 40% of existing store space for the 1983-85 period. This calls for adding a total of 19 stores: four new units this year, eight in 1984 and seven in 1985.

Venture's openings this year include the chain's first major entry into Oklahoma City with two stores and its entry into the Springfield, Ill., market (the fourth store opened in Midwest City, Okla.). As the expansion continues, Venture's management expects that activity will be concentrated within a 500-mile radius of existing major markets.

Capital expenditures of approximately $23 million, including lease equivalents of $8 million were allocated for Venture's 1983 expansion.

The majority of the Volume Shoe stores being opened this year are in approximately 30 areas which the company views as its priority markets. These are located in the West, Southwest, Great Lakes and Gulf Coast regions.

Approximately $37 million in capital is involved in Volume's 1983 store expansion program. For 1984-86, an addition of about 130 new stores is planned for each year.

In total, the corporation's capital expenditures plan for 1982-86 calls for more than $1 billion. ■

Increases store count by 140

Lucky Stores, a chain that went through a transition in 1982, plans to add 140 units and raise its store count to 1,730 by the end of this year.

In 1982, it sold 156 stores and closed 43 outmoded or unprofitable units, while adding 213 stores for a net growth of 14.

Square footage in 1983 is expected to grow by 1.8 million gross square feet and by almost 2 million gross square feet in 1984. Selling space added in 1983 is projected to be 1.2 million sq. ft. with an additional 1.9 million sq. ft. scheduled for 1984.

Capital expenditures are expected to be $140 million this year, compared with $138 million in 1982. Of this year's capital expenditures budget, Lucky earmarked some $135 million for fixtures and equipment, with plans to remodel 44 food and department stores in addition to expenditures on store openings.

Last year, $107 million of the expenditures were spent on fixtures in stores and support facilities. Part of the money was earmaked for major remodeling or expansion of 41 stores. Front-end checkstand scanners were increased in 1982 to 161 from 95 in 1981 in food stores.

Last year, Lucky reorganized its automotive and Checker divisions into a single unit, operating 400 retail automotive parts and accessory stores. Company officials report that automotive is projected to be the chain's fastest growing division.

Lucky currently has eight divisions and one subsidiary operating in 29 states, including food, departme[illegible] and specialty stores.

Emerging from transition

	1983	1982
Stores in operation at end of calendar year	1,730	1,589
Total stores added in calendar year	140	213
Square footage added in calendar year	1,827,000	2,029,000
No. of stores closed	0	190
Total capital expenditures	[illegible] mil.	$138 mil.

Source: Chain data and [illegible] *Age Executive* estimates

Projected figures up 7.6%

This year Associated Dry Goods is doing a little bit of everything. It is selling off a small department store division while it is expanding other divisions. It is opening a significant number of new discount stores, including market penetration in the lucrative Long Island market. It has even entered the off-price retailing field with its acquisition of the 62-unit Loehmann's operation.

To carry out these activities (excluding the Loehmann's purchase), the company is investing a total capital expenditures budget of $85 million, up 7.6% from the $78.8 million it spent during the previous fiscal year. It will be adding approximately 1.6 million gross square feet (exclusive of Loehmann's and expansion plans for that division), up 73% from the 917,000 gross square feet added the previous fiscal year.

It comes as no surprise then that during 1982 the company opened its second of four planned Lord & Taylor units in the southern Florida market. It also opened a Lord & Taylor in Connecticut.

In addition, this year it opened a unit of The Denver and in 1982 opened units in the L. S. Ayres, Goldwaters and Sibley, Lindsay & Curr divisions (two of which are aimed primarily at the middle of the market).

Earlier this year it announced the sale of The Diamond, a small division consisting of two stores in West Virginia. Although the division itself was profitable, the company felt its market growth was too limited to meet corporate goals.

Trying a bit of everything

	1983	1982
Stores in operation at end of calendar year	324[1]	247
Total stores added in calendar year	77	18
Square footage added in calendar year	1,587,000[1]	917,000
No. of stores closed	4	5[2]
Total capital expenditures	$85 mil.	$78.8 mil.

[1]Includes 1983 acquisition of Loehmann's
[2]Does not reflect Loehmann's contribution to corporation's total gross square footage additions, nor that division's 1983 expansion program.
[3]Reflects closing of Stewart & Co. department store division where the units have now been converted to Caldors.
Source: Chain data and *Chain Store Age Executive* estimates

Caldor will have added 10 new stores by fiscal year-end.

In addition, during last year ADG made the decision to discontinue the operation of its unprofitable Stewart & Co. division, located in Baltimore. Over a period of 18 months, the five stores, or 785,000 sq. ft. of the Stewart space, are being converted to Caldor stores. The first of these opened in Golden Ring, Md., in June and two more will be opening this month.

Management looks upon this move as an opportunity which "opens up to Caldor the entire Baltimore-Washington market area which we believe is ideal for quality discount department store operations." ■

Off-price snares hefty portion

The real muscle in Zayre's $72 million capital expenditures budget this year is being devoted to its off-price specialty divisions, T. J. Maxx and Hit or Miss.

The capital expenditures program is up 13% over 1982, and the net square footage added in 1983 will increase 233% over the year before.

In the Zayre self-service discount chain, the T. J. Maxx and Hit or Miss off-price specialty chains, the corporation is adding 2 million net square feet in 1983.

That net increase represents 119 ribbon cuttings, the bulk of which will occur in the Hit or Miss chain. Hit or Miss started 1983 with 267 units and will complete 75 new openings before the year ends.

Store closings have slowed to a crawl from 40 in 1982 to about 15 in 1983. In order to expand T. J. Maxx to 35% more stores than the chain had in operation in 1982, Zayre first made sure that distribution capacity for the complex merchandising operation was up to par. Having exhausted the capacity of the 450,000-sq.-ft. Framingham, Mass., facility, a new highly mechanized state-of-the-art 300,000-sq.-ft. distribution center was opened in Worcester, Mass., in the fall of 1982.

T. J. Maxx will open 300 new locations in 1983, up from 22 in 1982. Traditionally located in suburban strip shopping centers, T. J. Maxx is shifting gears and positioning stores in new shopping centers built around the off-price concept. In addition, T. J. Maxx is reaching westward with stores in Colorado and Texas.

Hit or Miss closed 40 stores in 1982, but this year will only close about 10. The placement strategy for this year's new stores will emphasize regional malls, locations in downtown areas, high-income suburban strip centers and some off-price malls.

Zayre's largest business remains its high-volume discount stores. The area of all Zayre discount department stores is about 19 million gross square feet, with the typical store averaging 71,000 sq. ft.

Zayre plans to open 12 stores in 1983 and close three. The stores will continue to be clustered in the Eastern half of the country. ■

Specialty gets the muscle

	1983	1982
Stores in operation at end of calendar year	748	617
Total stores added in calendar year	119	62
Square footage added in calendar year	1,992,000	1,200,000
No. of stores closed	15	40
Total capital expenditures	$83.7 mil.	$72 mil.

Source: Chain data and *Chain Store Age Executive* estimates

Budget boost to benefit Bradlees

Stop & Shop is jacking up its capital expenditures a whopping 81% to $125 million this year while the top Big Builders increased capital expenditures budgets by only 7.5% in total. And the corporation is not buying ready-mades on this shopping spree, but rather recycling closed discount stores.

Bradlees, the corporation's discounter arm, is doing most of the expanding planned at Stop & Shop. Bradlees, which had 106 units at the beginning of this year, is adding 21 stores, while the total number of stores opened by the corporation this year is 37.

The discounter has been undergoing this expansion with correspondent sales increases. In fact, over the past four years the chain has doubled its sales volume from $540.1 million in 1980 to a predicted level of at least $1 billion in 1983. The chain topped $1 billion with an 86% sales increase, which was accomplished with a 53% increase in the chain's store network.

Recycles take the lead

Stores in operation at end of calendar year	418	491
Total stores added in calendar year	97	94
Square footage added in calendar year	1,467,000	2,000,000
No. of stores closed	15	12
Total capital expenditures	$125 mil.	$69 mil.

Source: Chain data and Chain Store Age Executive estimates

Bradlees had just 83 units four years ago.

Expansion through space acquisition has been the game plan this year as Bradlees added 13 former Memco store sites and one planned Memco site to its recycled-space roster. Most of these new stores are in the Washington, D.C. area (11), two are in suburban Baltimore, and one is in Richmond, Va. It is estimated that this portion of the expansion cost $100 million.

Bradlees has recycled other closed discount stores this year: a former Two Guys in East Hanover, N.J., a closed Kings in Guilford, Conn., and former Woolcos in Richmond and Virginia Beach, Va., and Nashua, N.H.

Bradlees has three additional openings slated for the remainder of this year in Virginia, Connecticut and Maryland.

In order to serve this expanded store base, which took the first great leap in 1982 with the recycling of 11 ex-Two Guys in New Jersey and five other ex-discounters, Bradlees opened a 400,000-sq.-ft. distribution facility in a former Knickerbocker Toy warehouse in the Raritan Industrial Park in Edison, N.J.

Stop & Shop is also solidifying plans to expand its new superstore prototype for its supermarket chain. These stores, most of which are open 24 hours a day, represent a new generation of supermarkets. ■

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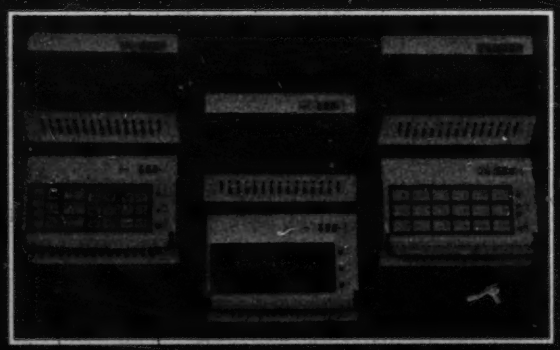

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Building momentum slows

Jack Eckerd Corp. added 117 stores in the fiscal year ended July 30, down from a net increase of 168 units in the prior year. At year-end, the Florida-based Eckerd operated 1,806 drug, department and specialty stores.

Eckerd attributed the slower pace to a slowdown of shopping center growth.

In fiscal 1983, Eckerd added 87 stores in its main drug operation, bringing the total to 1,325, and opened 17 Video Concept stores in its American Home Video operations, bringing that total to 179. The chain also added six stores to its 49 JByrons junior department store chain and seven stores to the Eckerd's Apparel casual wear stores, now totaling 94 units. Eckerd also operates 158 Optical Centers.

Eckerd's new drug stores are designed from a prototype developed in 1982 aimed at "making shopping easier and quicker for customers," according to the company. The new stores have different merchandise presentations, a new blue and white logo that incorporates the prescription symbol, new signs and new equipment. The "best elements" of the prototype will also go into all remodels.

After venturing into the home health care market with three MedCare stores in 1982, Eckerd has taken the idea to 10 stores this year. These are freestanding units providing health care products for sale and rent.

To boost productivity and sales in its prescription business, Eckerd also introduced Healthline, a computerized telephone answering service for consumers who have questions about over-the-counter medicines. The idea is still being tested in two Florida markets.

The average square footage in Eckerd's drug stores is 8,600 sq. ft.; JByron's average size is 40,000 sq. ft.; American Home Video stores average 2,000 sq. ft.; Eckerd's Apparels are about 2,000 sq. ft. each, and the Optical Centers are about 700 sq. ft. apiece. ■

Slowdown in retrenchment

	1983*	1982*
Stores in operation at end of fiscal year	1,786	1,689
Total stores added	117	211
Square footage added	1,036,000	1,600,000
No. of stores closed	N.A.	N.A.
Total capital expenditures	$80.9 mil.	$55.6 mil.

*Figures are for fiscal year ended June 30
N.A.—Not Available
Source: Chain data and *Chain Store Age Executive* estimates

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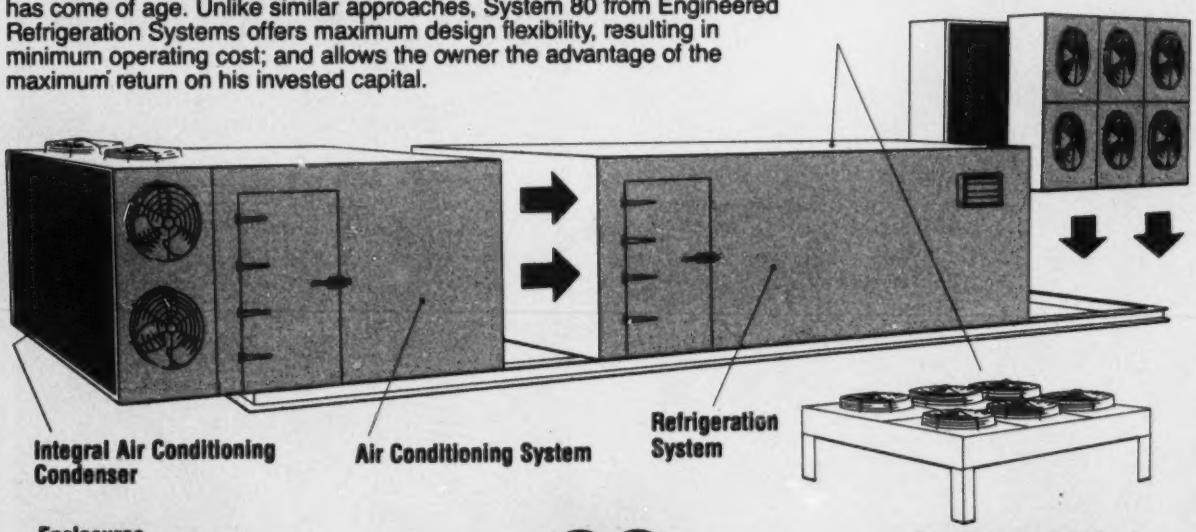

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Plans call for 33 in '83

Albertsons has earmarked $95 million for capital expenditures this year and appears to be keeping on target.

The Boise, Idaho-headquartered chain, which posted nearly $4 billion sales in its 416 stores in 1982, is projecting that it will open 33 new stores by the end of 1983. Last year Albertsons opened 24 new stores.

The company operates 272 conventional supermarkets, 45 superstores, 85 combination food/drug units and 14 special supermarkets called "The Grocery Warehouse" in 17 western and southern states from Washington to Florida. Its supermarkets average approximately 26,000 sq. ft.; superstores, 42,000 sq. ft., and combo units, 54,000 sq. ft.

For Albertsons to reach its goal of doubling sales to over $8 billion in the next five years, its expansion pace is going to be sparked by over $1 billion in capital expenditures. In 1984, Albertsons plans to have $105 million in capital expenditures, to step up its store opening program to 40 to 50 stores each year.

On the fast track

	1983	1982
Stores in operation at end of calendar year	449	416
Total stores added in calendar year	33	24
Square footage added in calendar year	1,000,000	1,100,000
No. of stores closed	N.A.	N.A.
Total capital expenditures	$95 mil.	$92 mil.

N.A. Not Available
Source: Chain data and *Chain Store Age Executive* estimates

While looking for a fast-track expansion pace in the future, Albertsons is not overlooking its existing units. During the past 10 years, over 90% of its stores have been newly built or completely remodeled. During the period, 112 stores were closed. Albertsons has its largest number of stores in California—106—followed by Washington, 61, Florida, 47 and Oregon, 40.

Of the 33 stores being built this year, superstores will account for 27, combination units, 4, grocery warehouses, 2. California will get 10 new units, Colorado and Washington 4 each, followed by Oregon, Florida and Utah, 3 each; North Dakota, 2, and 1 each in Idaho, New Mexico, South Dakota and Texas.

The chain will utilize surplus cash in its capital expenditures program by carrying about half of the new stores as corporate investments. This year Albertsons is also remodeling 122 stores. Last year, 15 stores had major remodels and a full-line distribution center opened in Denver.

Stores built in 1982 averaged 45,500 sq. ft. The 355,000-sq.-ft. distribution center in Denver, which serves stores in Colorado, New Mexico, South Dakota and Wyoming, is the last such facility scheduled to be built until 1987.

The company's emphasis on one-stop shopping is dramatically illustrated by the increase in the average size of retail stores to 33,900 sq. ft. from 30,500 sq. ft. at the beginning of 1980. In the future, Albertsons' plans to build mostly superstores and combination food/drug units. ■

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Investment hits record $110 million level

Supermarkets General decided to go 1982 one better. That year capital investment, including capital leases, was $81 million, the highest level in the company's history. This year it raised that number by almost 36% to $110 million.

As in past years, more than 85% of this amount is being allocated to the Pathmark division, but proportioned to a considerably larger base.

One of the chief reasons for this increase is the confidence of the parent company in the continuing success of the Pathmark Super Center concept. These are larger size stores, typically 50,000 sq. ft. or more. The size of these stores allows for an expanded selection of general merchandise classifications.

As of Jan. 29, 1983, there were 62 Super Centers in operation, including conversions of existing stores and enlargements, which accounted for 57% of Pathmark's total year-end sales of $2.8 billion.

Going 1982 one better

	1983	1982
Stores in operation at end of calendar year	212	182
Total stores added in calendar year	29	19
Square footage added in calendar year	780,000	400,000
No. of stores closed	2	1
Total capital expenditures	$110 mil.	$81 mil.

Source: Chain data and *Chain Store Age Executive* estimates

It is projected that by the end of this year, there will be between 80 and 82 Pathmark Super Centers in operation.

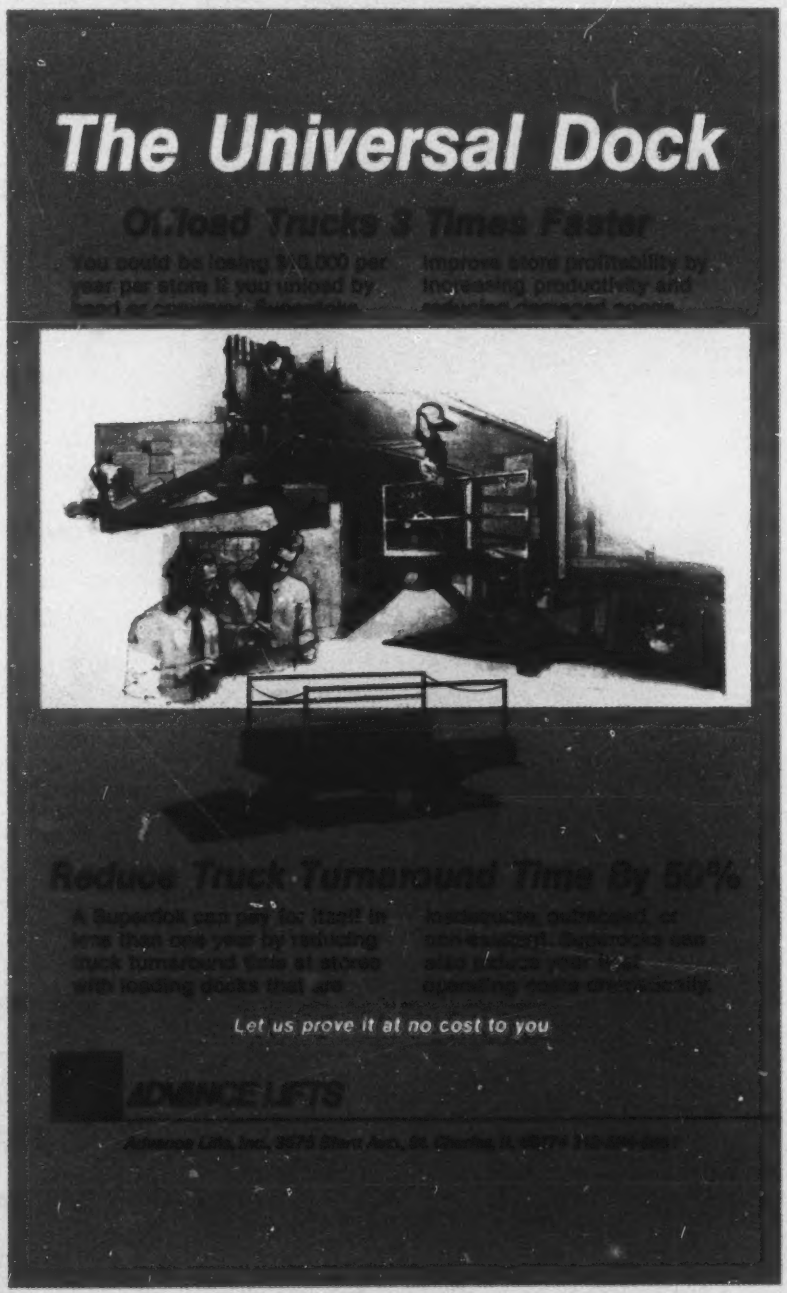
In addition, the space flexibility afforded to the company through the Super Centers is enabling Pathmark to continue with experimentation and development of new merchandising approaches for various product categories. So far these efforts have included the expansion of its Barnes & Noble mini-book stores program; the installation of separate cheese shops in a number of units, and the testing of a nutrition center.

Part of the continuing growth in the Super Centers will come through Pathmark's new store construction program. This calls for approximately 12 stores to be in operation by year-end, all but one of which will be a Super Center. The number of stores being added is up considerably from the average six stores per year opened during the past five years (seven stores were opened last year).

In addition, by year-end 15 to 20 major renovations will have been carried out. Ten of these will involve converting existing units to the Super Center concept.

This building program will result in an addition this year of almost 400,000 sq. ft., or approximately 10% of the division's selling space square footage—its largest absolute increase in any single year.

Supermarkets General also owns two department store divisions, Howland-Steinbach and Hochschild, Kohn. ■



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Electronics make a splash in the typing pool

Results of *Chain Store Age Executive*'s survey show that among the 200 retailers queried, the average expenditure on typewriters is only $6,000

Typing is an office bottleneck. "It's highly manual, and highly inefficient," says Ed Toussaint, manager of market planning for Xerox. "And the more pressure there is, the more demands there are on the typist, the worse it gets."

But it doesn't have to be that way anymore. Examine the cost of a $15,000-a-year secretary who spends half her day typing, who backspaces and counts to center, who makes mistakes and retypes and then reproofs, who hand-types envelopes, forms, checks, labels and index cards. Over five years, her typing time comes to $37,500. For $1,500 to $4,000, an electronic memory typewriter can perform these functions automatically for a minimal lifespan of five years.

Add the cost of inefficiency and the payback is obvious. "Take a look at your most important documents—letters, leases, contracts—and look at the trouble you have getting them out. Is it taking an hour or a day?" Toussaint asks. "Moving paper faster—getting it out the door—that's the competitive edge and the payback that justifies it [an electronic typewriter]."

Yet by their own admission, retailers often drag their feet when it comes to improving office operations. James Germano, purchasing agent for McCurdy & Co. department stores, concedes: "I can see automation coming, but I think retailers will be one of the last to get into that because of the tight cost structure. Frankly, a retail operation has to put its best foot forward on the sales floor, and the backroom and office activities probably suffer because of that."

Indeed, a special survey by *Chain Store Age Executive* shows that retail expenditures on electronic typewriters averaged only $6,000 each among the top 200 chains surveyed.

The highest expenditures come from the specialty chains with $9,000, followed by department stores with $7,400. Consistent with the survey of copier and communications system expenditures, the drug chains make the least investment in automated office equipment, followed closely by the discount chains. For electronic typewriters, drug and discount chains spend an average of $3,700 and $3,600 respectively.

Almost three-fourths of the chains surveyed felt their expenditures for electronic typewriters would fall. Fewer than 2 in 10 foresee an increase in outlays. Again, drug chains show a marked tendency toward decreasing their relatively low expenditures, with 92% predicting falling outlays in the coming year, compared with 72% of the supermarket chains, 71% of the discount chains, 63% of the department store group and 62% of the specialty chains.

The survey also shows that while retail executives know of at least 10 typewriter manufacturers, IBM still carries nearly 80% of the retail market surveyed. IBM's major strongholds are within the supermarket and specialty chains, taking 92% and 88% of those markets, compared with 63% of the department store group.

Awareness of typewriter brands is less concentrated, but not by much. Almost 85% of the retail executives mentioned IBM, followed by 24% mentioning Olivetti, 18% noting Xerox and 15% Royal. Less than 10% mentioned Olympia, Smith-Corona, Remington, Silver Reed America, Cannon and Brother International. A significantly higher proportion of de-

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This is the third of a five-part series on how retailers use automated office equipment to maximize the efficiency of running their businesses.

The November issue concerns itself with electronic typewriters. September dealt with copiers, and October's feature was concerned with telecommunications. In subsequent issues we will examine desktop computers and word processors.

The surveys were conducted by the Lebhar-Friedman research department exclusively for Chain Store Age Executive.

Keys to considering keyboards

In choosing among the major vendors of electronic typewriters, retailers should keep several things in mind:

- Don't get caught in the feature-counting trap. Studies show that only five or six basic features handle the bulk of typewriter use; others serve mainly to clutter the keyboard.
- Look at the quality of the printed page.
- Make certain the machine is easy to use. Commands should be in English, computer codes should be avoided and command procedures should be consistent among features.
- Understand where the technology breaks are and find the level that fits your needs. Do you want limited or unlimited storage? Do you want editing capability and to what degree? Perhaps most important, can the machine be upgraded?
- Buy a machine that can act as a printer and keyboard for a computer. The automated office must have compatibility among its components.

partment chains (33%) than drug chains (4%) mentioned Xerox.

The electronic typewriter today costs from $1,500 for an IBM 65 to under $4,000 for the high-end Olivetti ETV 300 with a video screen and external disk storage. Olivetti's Jean Ferrel notes that the $10,000 machine of five years ago sells for "half or even a third of that today."

Vendors agree that prices are still falling, but not as dramatically. The cost of the typewriter's electronic parts has already become minimal, so that future cost decreases will come from competition and automated production.

The electronic typewriter is best suited for the decentralized secretarial post that turns out 10 to 15 typed pages a day with word, sentence and paragraph revisions. It is also highly efficient in areas with repetitious letters and multipart forms, but that still need to handle a lot of the variety and the individual functions of a regular typewriter.

The purchasing agent of a very large supermarket chain who bought the Xerox Memorywriter 620 uses it in areas "with a heavy volume of repetitive typing, particularly where we would not have hundreds of copies, but six or eight copies of something, where the original must be edited, and where we need a letter-quality reproduction." He adds that the machine has boosted productivity "tremendously" where volume and print quality can't justify word processing.

On the higher-end typewriters such as the Olivetti ETV 300, the distinction between typing and word processing does become blurred. The fundamental difference between the two is in memory capacity and software complexity. Word processors usually have a 300- to 500-page storage vs. a 5,000 to 35,000 character capacity in the typewriters, although many brands can add unlimited outside storage.

Word processors are two or three times faster, but also much noisier. They can handle extremely complex typing jobs, such as accounting sheets, but they cannot do simple typing. They cost from two to three times as much as an electronic typewriter, take far more room and require steady, centralized use to reach optimum efficiency.

Ed Kroll, purchasing manager for Albertsons' Southco, a supermarket chain, bought an IBM electronic typewriter with a video screen and disk storage for contracts, where the work is repetitive, but requires high quality printing.

McCurdy's Germano believes an electronic typewriter in the credit department for a cost "in the neighborhood of $2,000, could cut back two full-time typists to one part-time typist" for repetitive letters that require only a change of name and address. He also sees a possible use in the advertising department.

Service takes a universally high priority among retailers choosing machines. Warren Wilson, director of purchasing for McRae's department stores, says he "established IBM a number of years ago as the only typewriter we will buy, based on exhaustive trial and error. The others have been in the trash bins for years, while the IBMs are still plugging along."

The decision to buy finally rests on efficiency and cost. Says Xerox's Toussaint, "Office costs are just as real as the cost of the products a retailer sells. I hate to use sports analogies, but the production of typed materials is the blocking and tackling—the grist of business. We've already got the computer side under control. Now we have to look at the personal side of productivity." Breaking the typing bottleneck may be one way of doing that. —C.L.

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